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Alaska Department of Labor Steve Cowper, Governor, State of Alaska

Alaska's Employment Outlook

Alaska Economic Trends

Steve Cowper, *Governor, State of Alaska*

Jim Sampson, *Commissioner, Department of Labor*

Frank Spargo, *Director, Administrative Services*
Chuck Caldwell, *Chief, Research and Analysis*
Edward Eboch, Ph.D., *Editor*

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The following notes pertain to Nonagricultural Wage and Salary Employment Tables:

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark date March 1986.

P/ Denotes preliminary estimates.
R/ Denotes revised estimates.

Alaska's Employment Outlook

By Edward Eboch

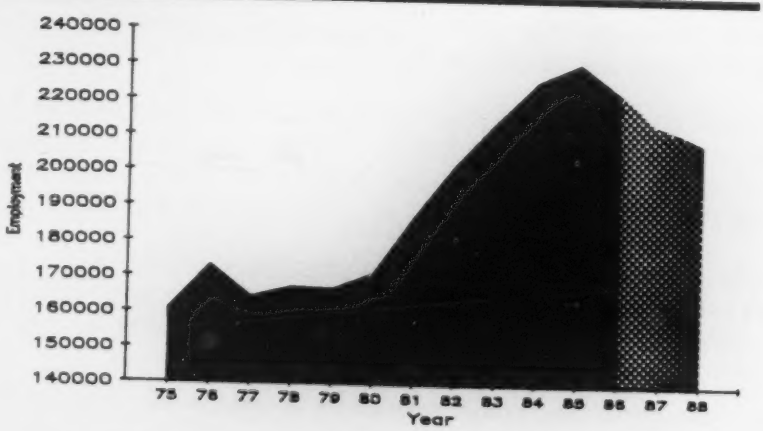
Introduction

Since the early 1970s, Alaska's economy has been driven by the pursuit of oil. Through the rest of the 1980s and well into the 1990s Alaska's economic performance will continue to depend upon world oil markets. While other activities will add employment, they cannot begin to offset the impact of employment cuts in the oil and gas industry and the employment cuts in state and local government that have resulted from declining oil revenues, at least not through the forecast period of 1987 and 1988.

Tourism will fall below the level of 1986. The world EXPO in Vancouver Canada and terrorist activity in Europe resulted in record numbers of tourists coming to Alaska this past year. While current exchange rates bode well for Alaska's tourism industry, now that EXPO has closed and the concern about terrorism has abated, tourism will decline despite current exchange rates which are favorable for the industry.

In addition, the tourist industries in other states and countries have become more competitive. While tourism is expected to be significantly better than in 1985 and to continue to improve throughout the decade, it will not reach the levels of 1986 for several years.

Figure 1
Alaska Employment
1975–1988



Hard rock and coal mining, other promising industries, are unlikely to impact the economy during the forecast period. Even if all the most promising mining ventures—Red Dog, Green's Creek, Quartz Hill, and Beluga Coal—were to come on line during this period, total direct employment would be less than 2,000.

Small amounts of employment are anticipated from the Red Dog and Green's Creek ventures, but full employment levels are not expected until after 1988. Longer term, these mining ventures and other mineral prospects will add significantly to Alaska's employment and will help diversify the economy.

Other projects and proposals to diversify Alaska's economy being considered hold promise in the future, however, they will have little impact on Alaska's economy over the next two years. Two events could make a significant change in the forecast: (1) if the price of oil were to increase to over $20 a barrel on the world markets (and be perceived to remain there) or (2) if contracts for North Slope gas were signed.

On the bright side is the military expansion. The impact of the military on Alaska's economy is often overlooked. Since World War II, Alaska has been recognized for its strategic military importance. The military continues to expand its presence in Alaska providing direct civilian jobs, construction projects, local purchase of materials and services, and an injection of cash into the economy from the spending of military personnel. At this writing, the military plans continued expansion in Alaska.

Assumptions

A forecast is a prediction of what will happen in the future based on an assumed set of circumstances. In any forecast the outcome is often influenced by one or more critical assumptions. There are several key assumptions in this year's forecast in addition to those of a more general nature discussed above.

The price of oil is anticipated to remain in the $15 to $18 range and the state's operating and capital budget is expected to be close to the $1.9 billion level presented to the legislature. The budget for the following year will be no greater than this year's budget.

Besides the loss of employment and population, there will be a greater loss in purchasing power in Alaska. Wages and hours worked in many industries have been declining and there is little in the outlook to suggest improvements during the next two years.

Additional losses in purchasing power are anticipated as local and state government employees are under pressure to make wage and benefit concessions. In addition, hiring will occur at the lower pay levels where possible and duties will be reassigned or transferred to the private sector to cut labor costs. Simple employment multipliers are no longer reliable in estimating the impact of losses in the basic sector.

An important consideration in examining the forecast numbers is when change occur. Annual average numbers do not always appear to match the common perception of what is happening in the employ-

Table 1
Alaska
Industry Employment Forecast
1987-1988

	1986	1987	Percent Change	1988	Percent Change
Nonag. Wage & Salary	222,100	213,200	-4.0	208,300	-2.3
Mining	9,000	8,200	-8.9	8,300	1.2
Construction	13,200	11,100	-1.6	12,100	9.0
Manufacturing	12,400	12,300	-0.1	12,300	0.0
Food & Kindred Products	6,600	6,600	0.0	6,600	0.0
Lumber & Paper Products	2,600	2,600	0.0	2,600	0.0
All Other Manufacturing	3,200	3,100	-3.1	3,100	0.0
Trans. Comm. & Utilities	18,200	18,100	-5.5	17,900	-1.1
Trucking & Whseing	2,300	2,200	-4.3	2,100	-4.5
Water Transport	1,300	1,300	0.0	1,300	0.0
Air Transport	5,400	5,400	0.0	5,400	0.0
Other Trans. Comm. & Utilities	9,300	9,200	-1.1	9,100	-1.1
Trade	44,300	42,600	-3.8	40,800	-4.2
Wholesale	8,100	7,800	-3.7	7,700	-1.3
Retail	36,300	34,800	-4.1	33,100	-4.9
Gen. Mer. & Apparel	5,300	5,100	-3.8	5,000	-2.0
Food Stores	6,000	5,800	-3.3	5,500	-5.2
Eating & Drinking Pl.	13,400	12,700	-5.2	11,900	-6.3
Other Retail Trade	11,600	11,200	-3.4	10,700	-4.5
Finance-Ins. & R.E.	12,700	12,200	-3.9	11,500	-5.7
Services	44,200	42,500	-3.8	40,100	-5.6
Government	68,200	66,200	-2.9	65,000	-2.3
Federal	18,100	18,600	2.8	18,800	1.1
State	20,200	19,200	-5.0	18,800	-2.1
Local	29,900	28,400	-5.0	27,400	-3.5

Assumptions

1. The price of oil will range between $15 and $18 per barrel through the forecast period.
2. The state budget for state fiscal year 1988 will be approximately $1.9 billion.
3. Yen/$ exchange rate will remain favorable to Alaska's export products.

ment market. For example, changes in state and local government employment occur mid-year. In calculating annual averages, the average of the first half of the year and the average for the second half of the year may differ significantly. State government employment averaged 20,600 the first half of 1986 while it averaged 19,800 the second half of 1986, for an annual average of 20,200.

Table 1 gives the statewide employment forecasts by industry while each industry is discussed below in detail. In addition to the statewide employment forecast, there are employment forecasts for the Anchorage/MatSu, Fairbanks, and Southeast regions. The differences in the forecasts result from the timing of the changes, not the level of changes anticipated. The statewide forecast anticipates the decline over the next two years to happen gradually while the regional forecasts expect the declines to occur more rapidly in 1987 and then to diminish in 1988. The forecasts generally agree as to the total impact on employment during the next two years.

Mining

The mining industry is composed of oil and gas extraction, coal mining, metal mining, and nonmetal mining. The oil and gas sector accounts for over 90% of employment in this industry.

The worst is over for the oil industry. Cancellation of exploration activities, reorganization of companies, sales of affiliated mining ventures, and other adjustments to falling oil prices are largely completed. After the precipitous fall in employment that started in February 1986 employment is expected to stabilize in 1987 as the year progresses. By late 1987 additional development activity will result in a small increase in oil and gas extraction employment.

While the short term outlook remains poor, the long term outlook for the oil and gas industry looks very good. The continued development of the North Slope fields, opening of the Arctic National Wildlife Refuge, and the gas pipeline projects all bode well for this industry by the 1990s. Unfortunately, none of these events will help change the two year outlook for oil and gas industry employment.

The metal mining industry has been depressed for some time. With current low world prices for most minerals, the short term outlook for this industry is not attractive. While the Red Dog and Green's Creek mining ventures will proceed, these will have little impact on total metal mining employment before 1989. The same situation exists for the coal mining industry. Expansion of existing mines will not result in much of an increase in employment. With the current difficulty in obtaining coal contracts, additional ventures are unlikely to develop over the next few years.

Employment in the nonmetal mining industry, made up largely of sand and gravel and other mining in support of construction, will depend on how the construction industry fares over the next two years. This sector has suffered cuts as construction has declined to the point that additional cuts in employment will be difficult. With construction projected to decline in 1987, employment in nonmetal mining will remain relatively flat the next two years.

Construction

The construction industry has experienced the greatest loss in employment of any industry since the onset of the downturn. The fall in construction employment began in 1985 before total employment peaked, and the industry's losses have been far greater than any other industry through the end of 1986. Unfortunately the outlook for this industry remains bleak. After suffering losses of 35% in employment from 1984 to 1986 the construction industry is expected to suffer an additional 16% loss in employment in 1987.

For a long time it was assumed that state funded projects were the major contributor to construction employment during the boom. The industry was found to be more diverse than expected. In the study, *Nonresidents Working in Alaska*, it was estimated using 1984 data that approximately 16% of construction employment was related to state funded projects. Oil and gas projects, the military and other federal government projects (Bureau of Indian Affairs, Forest Service, the Corps of Engineers and others) plus private residential, commercial, industrial, and utility activities make up the rest of the demand for construction employment.

In 1987, state funded and oil related projects will decline in value, and because private commercial and residential space is currently overbuilt, little activity will occur in these areas. However, the military and other federal departments are anticipated to have significant construction activities. These projects plus state and local government projects, maintenance and development on the North Slope, and a significantly reduced private residential and commercial sector will still result in construction being over 5% of total employment.

In 1988, construction will be one of the few industries that will rebound from the previous year. A firming of the price of oil will have oil companies increasing development activity on the North Slope by the end of 1987. Increased military construction and a change in the general outlook by the end of 1988 will result in an increase in private sector construction as well.

Manufacturing

The manufacturing industry is the one industry that should fare well over the next two years. The favorable exchange rate is good for both the seafood and wood products businesses.

The seafood industry has gradually expanded into bottomfish and mariculture activities. While relatively small when compared to the traditional seafood activities, their growth over the past few years has been impressive. With the health concerns over red meats, the U.S. market for seafood will continue to expand, offering additional opportunities for Alaska seafood products. The conditions seem good to insure an expanding industry with improving prices.

The wood products industry has returned to making a profit after several years of hard times. Here the elements for success are mixed. The current exchange rate makes Alaska' timber more competitive in its Far East markets; and as long as the U.S. market for northwest timber remains strong, Alaska wood products sales should have less competition from the U.S. Northwest timber producers. This offers potential for growth and already there is increased timber harvesting activity outside the traditional Southeast Alaska Region. The next two years should be relatively good to this industry although employment gains will be small.

The other manufacturing firms are concentrated in newspapers and other printing, oil refining, chemical and allied products, and construction related manufacturing. The construction related firms have suffered declines and will continue to see small losses. The other firms in this sector will gradually reduce their employment as conditions change but the losses will not be significant.

Transportation, Communications, and Utilities

The transportation industry will manage relatively well the next two years. Trucking and warehousing will be down as construction activities and general trade decline. Water transportation employment (which is heavily influenced by the success of the wood products industry and, to a lesser extent the seafood industry) will remain flat over the next two years. Air transportation will suffer from the general economic decline but should benefit from both tourism and the seafood industry success.

There will be slight declines in the other transportation, communications, and utilities sector which includes school buses and other bus services, pipelines, radio and television, telephone, telecommunications, and other utilities and transportation services. Many of these firms provide basic services where it is difficult to cut employment beyond that already made. However, some slight losses are expected.

Trade

The loss of purchasing power by residents of Alaska will have a later and greater impact on the trade industry than has been anticipated previously. The trade and services industry is unaware of how important local resident purchases are to their businesses. While a loss in employment of 10% from the highs of 1985 is projected the loss in income will be greater—perhaps as much as 20%.

While tourism will be strong, although less than last year, many retail outlets will begin to understand the impact of the loss of local purchasing power as 1987 continues. The trade industry is more sensitive to declines in income than to declines in employment, since employment includes a count of nonresidents. By the second half of 1987 layoffs will increase and stores will close in the retail trade sector.

Wholesale trade will be impacted less over the next two years than will retail trade. Wholesale trade employment has declined significantly since 1985, largely those losses have been related to construction. Additional losses are forecast for wholesale trade, but as the economy declines these losses will be small relative to losses experienced elsewhere.

Finance, Insurance and Real Estate

In 1986, losses in real estate were largely offset by gains in the banking, insurance and other financial service sectors. We are now seeing losses in employment spread to other areas of this industry. Additional losses in the real estate sector are anticipated for 1987 with some strengthening of this market towards the end of 1988. Losses in the other financial sectors will increase as 1987 progresses.

Several banks and savings and loans in Alaska are in trouble and will either close or be merged to stronger Alaska banks or to outside banks. Other banks will have to consolidate their operations and trim their workforce to remain viable. With the loss in discretionary income, less money will be available for investments. The result will be an increasing decline in employment in the finance, insurance, and real estate sectors into 1988 as firms in this industry adjust to the realities of lesser income for financial services.

Services

The service industry has experienced losses of employment in sectors largely related to the decline in construction, such as architects and engineers. The other areas of services are beginning to feel the impact of Alaska's recession after several years of robust growth. The losses in these other areas of services will continue to intensify as firms and individuals cut nonessential services.

Business and government travel has declined as reflected in the year to year losses in hotel, motel and related services. Additional losses in hotel and motel employment are anticipated this year because of a reduction of activity in the oil industry, cuts in the states budget, and a slight decline in tourism.

Medical services have continued to increase even as the economy declined. As the population drops in 1987 and the loss in benefits and reduced incomes are felt, the demand for these services will be reduced. Hospitals, clinics, medical, dental and other health services (especially those dependent on state funding support) will continue to cut employment as they adjust to the difficult economic times.

As incomes drop local residents will cut back or delay the purchase of local services. Beauty shops, laundry and dry cleaning establishments, automotive repair, shoe repair shops, motion pictures, bowling alleys, the theater, and other personal and recreation services firms dependent on the local consumer will close or be forced to reduce employment.

Finally, business will reduce their use of advertising, commercial art, cleaning and maintenance, management consulting, equipment rental, educational services,membership organizations, accounting and auditing, and other business services while they try to weather the economic downturn.

Government

There will be a dramatic decline in government employment as state and local governments are forced to cut expenditures. This comes on top of already significant cuts in employment at both levels of government during 1986.

This decline is significant to Alaska and its communities because government's impact is much like that of a basic industry. Individuals and businesses in the state pay only a small portion of the cost of government.

To what extent communities are willing to see education, social services, road maintenance, and other services decline is uncertain. At the time of this writing, spending cuts appear more likely than an increase in local taxes or the adoption of a state income tax or other state taxes. As the impact of these cuts is felt, there will be additional pressure to increase local and state taxes; however, any impact of these taxes will not be felt until late 1988. As a result both levels of government will be forced to cut employment through 1988.

The federal government will continue to expand its presence in Alaska. Military expansion will be the primary source of the growth

in federal civilian employment; however, this growth in federal employment will not be sufficient to offset the loss in state and local government.

Conclusion

Without a dramatic turnaround in the price of oil or the signing of contracts for delivery of North Slope gas Alaska's economy will continue to suffer employment losses through 1988. The impact of less spending by oil companies, reductions in state direct spending, and cutbacks in grants for education and community operations mean additional losses in employment over the next two years. This follows a loss of 3.7% in employment from 1985 to 1986.

The trade; finance, insurance, and real estate; and service industries were built on the premise that expansion would continue. So far they have been slow to contract as the economy has lost employment and people have gradually change their consumption habits.

Good news about consumer spending will be hard to find over the next two years. The combined effect of losses in employment and population, reduced income of those working, and the uncertainty created by the economic downturn will result in the reluctance of consumers to spend on discretionary items.

In addition, there will be a loss of purchasing power far greater than the loss in employment as wage concessions are made, more part time help is hired, and average hours worked decline. This loss of income will impact the secondary industries heavily in late 1987 and 1988. As a result these industries will suffer a greater loss in percent of employment over the next two years than the loss in total employment.

The only good news for Alaska is in the manufacturing industry where the wood products and seafood processing sectors will continue to increase employment. This will have little impact on the overall direction of the economy, however, because there is nothing on the horizon that will begin to offset the losses as a result of the contraction in the oil industry and the cuts in government spending.

Alaska's economic recession will continue over the next two years, causing dislocation and hardship for many of its residents. The longer term outlook is for a turn-around by 1989-1990 as oil companies begin to increase exploration and development efforts (with improved oil prices), several mining ventures begin to add employment, and the expanded military presence continues to make a contribution to the economy.

Anchorage Employment Forecast: 1987-1988

By Greg Huff

On the horizon for Anchorage are employment declines of 5.0% in 1987 and 1.4% in 1988. This follows a 4.6% decline in 1986. Although the decline in total employment is as great from 1986 to 1987 as from 1985 to 1986, the industry mix of employment losses is changing. The most significant change is the decline in construction employment losses and the increase in government employment losses. Trade replaces construction as the industry with the greatest loss in employment in 1987, and government replaces trade in 1988.

The most critical variables in this forecast are oil prices and the state revenue/budget situation. This forecast assumes that the state fiscal year (SFY) 1987 budget deficit is solved, and that Anchorage's portion ($36.5 million) of the frozen $163 million in capital project funds for SFY 1987 is released. In addition, oil prices are assumed to remain between $15 and $18 per barrel, and the SFY 1988 and SFY 1989 state budgets are in the $1.9 billion range—with both capital and operating portions declining and the capital spending share returning to 17% to 20% of the total budget.

Government

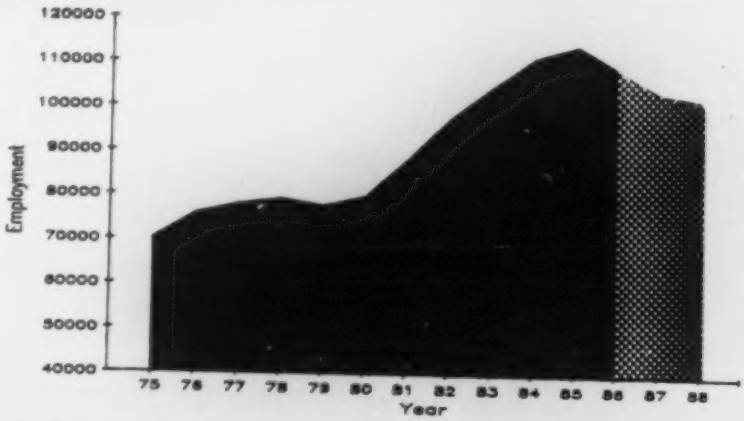
Although oil prices began falling in 1981 they did not drastically impact state and local government employment until the second half of 1986 (the beginning of SFY 1987). Layoffs in state and local government will continue at a moderate pace through the first half of 1987. The SFY 1988 budget (beginning July 1987) will compound the rate of employment declines, in both educational and noneducational branches of government. Declines will continue during SFY 1989 (July 1988 to June 1989) but employment losses will be less severe.

Federal government employment and spending will continue to be a major factor in Anchorage's economy. Federal government employment will continue to grow, offsetting some of the state and local government losses during the forecast period, but the growth will be modest.

Mining

Unlike government, the mining industry, comprising primarily oil and gas firms, responded quickly to oil price declines. By spring 1986, layoffs in the oil field services firms were widespread and deep; however, by 1987 most of the cuts were over. The need for additional

Figure 1
Anchorage Employment
1975–1988



support staff for expanded oil field operations on the North Slope will help Anchorage oil and gas employment recover in the last half of 1987 and result in slight employment growth in 1988.

Construction

Construction employment is forecast to decline less each successive year through 1988. The forecast assumes that state capital spending continues to fall but the residential building sector will hit bottom in 1987, particularly new construction, remodeling, and maintenance activity. In addition, employment declines in heavy construction (construction work such as highway, water, sewer, and bridge construction) will remain stable in 1987 and decline only moderately in 1988.

The larger heavy construction projects planned for 1987 include the continuation of the Eklutna Water Project, start-up of new municipal land fill, the widening of Glenn Highway from Muldoon to Highland Road, and the second phase of the Dimond Boulevard improvements to Jewel Lake Road. Indeed, if the Rabbit Creek/DeArmoun interchange is approved in 1987, the outlook for the heavy construction sector is brighter.

Most employment losses in construction will be in the commercial building sector. No projects are on line to replace the activity created by the construction of the downtown mall and parking garage, International Airport terminal improvement and garage, the Performing Arts Center, and Point Woronzof waste water treatment plant. Of these

Table 1
Industry Employment Forecast
Anchorage
1987-1988

	1986	1987	Percent Change	1988	Percent Change
Nonag Wage & Salary	109,300	103,850	-5.0	102,450	-1.4
Mining	3,600	3,200	-11.1	3,250	1.6
Construct	7,300	6,300	-13.7	5,950	-5.6
Manufacture	2,600	2,500	-3.8	2,500	0.0
Trans. Comm. & Utilities	9,500	9,300	-2.1	9,200	-1.1
Trade	26,300	24,800	-5.7	24,550	-1.0
Wholesale	6,100	5,800	-4.9	5,750	-0.9
Retail	20,200	19,000	-5.9	18,800	-1.1
Finance-Ins. & R.E.	8,300	8,100	-2.4	8,100	0.0
Service & Misc.	25,100	23,950	-4.6	23,700	-1.0
Government	26,600	25,700	-3.4	25,200	-1.9
Federal	10,200	10,400	2.0	10,500	1.0
State	7,300	6,750	-7.5	6,450	-4.4
Local	9,100	8,550	-6.0	8,250	-3.5

Assumptions

1. Oil prices will range between $15 and $18 a barrel through the forecast period.
2. The state's fiscal year 1987 budget deficit is solved and that frozen capital project funds for Anchorage are released.
3. The state's fiscal year budgets for 1988 and 1989 are approximately $1.9 billion.
4. Yen/$ exchange rate will remain favorable to Alaska's export products.

projects, the bulk will be completed during the second half of 1987 except for the Performing Arts Center which is expected to be completed by mid-1987.

Federal construction dollars are likely to increase slightly, and at worse remain stable during the forecast time frame. The net effect of these changes point to Anchorage construction employment levels in 1988 comparable to the levels in 1981, though representing a smaller share of total employment (5.7% versus 6.7%).

Secondary Industries

A recovering oil and gas industry and bottoming out of the construction industry in 1988 will have a positive impact on the secondary sectors in 1988. Services is forecast to decline only 1.0% in 1988 after falling 4.6% in 1987. Trade will have a similar reprieve, falling 1.0% in 1988 after a 5.7% decline in 1987. Finance, insurance, and real estate will show signs of recovery and grow modestly in 1988.

The total purchasing power of Anchorage residents will remain depressed below previous years because population is expected to fall in 1987 and "real" take-home pay to decline. Although population is expected to grow in 1988 as natural increases (births less deaths) offset outmigration, the number of wage earners will decrease resulting in less total income spent in the Anchorage economy.

On the positive side, tourism in Alaska is expected to grow during the forecast period, helping to offset the decline in the purchasing power of Anchorage residents. Anchorage lies between many of Alaska's most popular tourist areas and is the transportation hub for much of Alaska (33% of all the nights spent in Alaska by tourist are spent in Anchorage).

Thus, tourist related industries can expect increased activity in 1987 and 1988 and the population driven industries (particularly those sensitive to an increased number of young children) will experience increases. Firms that are not sensitive to tourism or to increases in the number of young children but that are more responsive to total income in the economy will not grow.

Conclusions

The negatives outweigh the positives during the forecast horizon—construction hits bottom, total income falls, and state and local government employment and spending continues to decline, pushing the support or secondary industries employment down through 1988.

A mild recovery in 1989? This is a likely scenario beyond 1988, but at a modest pace compared to the 1980-85 period. Growth can occur even at oil prices between $15 and $20 per barrel if state budgets remain in the $1.7 to $1.9 billion range. It is clear that in the future Alaskans will need to adjust to less state spending. The mix and level of that spending will determine the direction and the magnitude of any changes in the Anchorage economy.

Fairbanks Employment Forecast: 1987-1988

By Neil Fried

Employment losses will continue to plague the Fairbanks economy in 1987, however, signs of improvement will begin to appear in 1988. Fairbanks' employment is forecast to fall 4.3% in 1987 and .6% in 1988. (See table 1 for an industry breakdown of employment changes forecast for 1987 and 1988.) This is a far cry from the 6.7% average annual growth rate during the first five years of the 1980s, but it is an improvement over the 5% decline in employment in 1986.

Military Expansion

Even the arrival of the first increment of a new light infantry brigade will not prevent employment losses in Fairbanks in 1987. By late 1988 the employment outlook will begin to brighten because of the cumulative economic effect of the deployment of the light infantry brigade and related construction activities.

The deployment of the light infantry brigade will not be a panacea to Fairbanks' economy in 1988. It will not boost state revenues, replace all the construction jobs lost in Fairbanks' economy last year, nor pro-

Figure 1
Fairbanks Employment
1975 – 1988

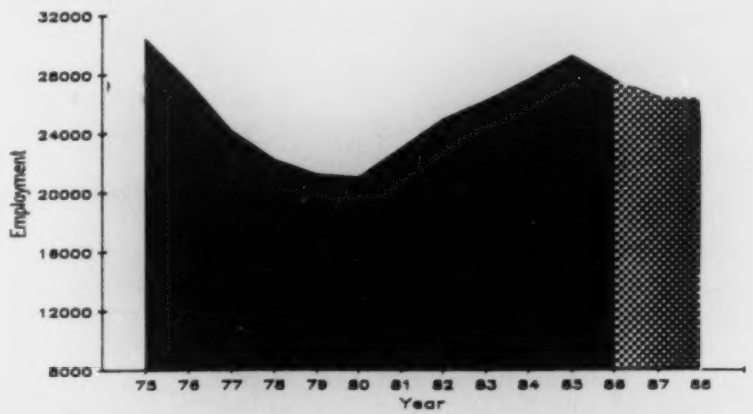


Table 1
Industry Employment Forecast
Fairbanks
1987-1988

	1986	1987	Percent Change	1988	Percent Change
Total	27,700	26,500	-4.3	26,350	-0.6
Mining	100	100	0.0	100	0.0
Construction	1,800	1,650	-8.3	1,750	6.0
Manufacturing	600	600	0.0	600	0.0
Trans. Comm. & Util.	2,700	2,600	-3.7	2,600	0.0
Trade	5,900	5,550	-5.9	5,500	-0.9
Wholesale	900	850	-5.6	850	0.0
Retail	5,000	4,700	-6.0	4,650	-1.1
Finance-Ins. & R.E.	1,100	1,000	-9.1	1,000	0.0
Services & Misc.	6,000	5,700	-5.0	5,650	-0.9
Government	9,600	9,300	-3.1	9,150	-1.6
Federal	2,900	3,050	5.2	3,150	3.3
State	3,900	3,650	-6.4	3,500	-4.1
Local	2,800	2,600	-7.1	2,500	-3.8

Assumptions

1. The price of oil will remain in the $15-$18 per barrel price range during the forecast period.
2. The 6th Light Infantry Brigade will be deployed within the time table provided by the Department of Defense on February 23, 1987: 825 soldiers will arrive in in FFY 87 and 789 in FFY 88 (the federal fiscal year runs from October to September), that 1,837 dependents will accompany the soliders and 150 new civilian jobs will be created to support the brigade during the 1987-1988 period.
3. Construction expenditures will reach $112 million on Fort Wainwright in FFY 87 and will exceed $100 million in 1988.
4. The state budget for SFY 88 will be approximately $1.9 billion.

vide the necessary revenues to local government to prevent further local government layoffs.

The light infantry brigade will, however, help cushion the fall in 1987, and it will prevent employment from falling as much as it otherwise would in 1988. Without the light infantry brigade, employment would fall as hard in 1987 as it did in 1986, and little relief would be on the horizon in 1988.

Industry Changes

Although the total employment losses in 1987 are forecast to be slightly smaller than they were in 1986, more industries will be affected. In 1986 the construction industry was responsible for most (68%) jobs lost in Fairbanks while other industry losses were small. In 1987 con-

struction will account for a smaller share, and the secondary sector and local and state government will account for a larger share of the losses.

Losses in state and local government employment will grow in 1987 and will continue to grow into 1988 as the impact of a falling state operating budget is fully felt. This trend will gain momentum in July 1987 when the state's fiscal year (SFY) 1988 budget begins.

Services and trade will be affected by these declines. Additionally, a decline in the area's income as a result of past declines in construction activity will catch up with services and trade. Sluggish North Slope activity and an overall slowdown in most other northern and interior communities, which depend on Fairbanks as a service, trade, and transportation hub, will also impact Fairbanks' secondary sector.

Construction

Construction employment will not rebound in 1987, but the hefty construction budget of the military should prevent it from falling by double digit levels. Residential and commercial construction will be down and state funded public construction will fall; however, the 1987 military construction budget should help offset these losses.

If the projected military budget for the federal fiscal year (FFY) 1988 comes to pass, construction employment would increase in 1988. (The federal fiscal year runs from October through September.) The construction industries share of total employment will remain below historical levels. In 1986 construction's share of Fairbanks' total employment fell to a record low of 6.5%, and construction is not expected to increase its share during the forecast period.

Tourism—A Mixed Story

That segment of the visitor industry that caters to visitors who come to Alaska for pleasure (64% of all visitors) will continue to grow. Fairbanks is becoming an increasingly popular spot for both American and foreign travelers, and this trend will continue during the forecast period. The weak U.S. dollar should also provide an additional incentive for domestic and foreign tourists to travel to Alaska.

Visitors combining business and pleasure also grace the state each year—approximately 17% of all visitors. Nineteen percent of visitors come to Alaska for business purposes only. Given present business conditions, this segment of the visitor industry is likely to fall off until the Fairbanks economy begins to pick up again.

Federal Government-The Bright Spot

Federal government employment is one of the few sectors of the economy expected to grow during the forecast period. The Department of Defense estimates that 150 civilians will be needed to provide support to the brigade during the next two years.

These estimates do not include civilian employment necessary for nonappropriated activities such as the post exchange system. While there are no immediate plans to hire more personnel in this area, it will eventually be necessary as the additional soldiers and their dependents put pressure on these services. If past trends hold at Eielson AFB, the number of civilians working there is expected to grow modestly.

Conclusion

The skittishness of oil prices makes any forecast of Alaska's economy tenuous at best, however, given the assumptions, table 1 gives the expected employment levels for 1987 and 1988. The bottom line is that Fairbanks will see employment decline. Job opportunities will be scarce and competition will be fierce, but, unlike most of the rest of the state, Fairbanks has secured some relief during these trying economic times.

Southeast Employment Forecast 1987-1988

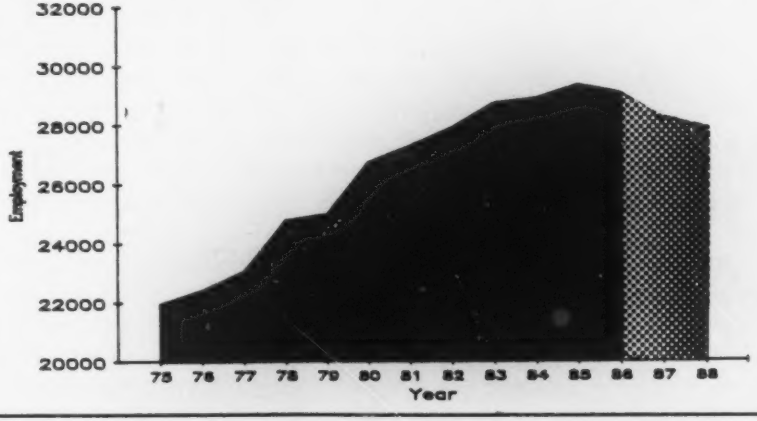
By John Boucher

The outlook for Southeast Alaska employment through 1988 projects a drop in employment of more than 4% from 1986 to 1988. The trend of declining employment, which manifested itself in the first quarter of 1986, will continue throughout the forecast period. Industries which have been sources of employment growth in the region, especially government, trade, and services, will experience employment losses during the next two years. With the exception of the manufacturing industry, every sector of the Southeast economy is forecast to lose employment through 1988.

Employment drops will occur predominantly in 1987 with a gradually slowing rate of decline through the end of 1988. Employment is projected to drop 2.8% in 1987 and then 1.4% in 1988. The most prominent reason for the drop is the rapid fall off in revenue to the State of Alaska from North Slope oil fields and the after shocks that will result.

The oil revenue decline has put state government into an unpre-

Figure I
Southeast Alaska Employment
1975 – 1988



Industry Employment Forecast
Southeast Alaska
1987-88

	1986	1987	Percent Change	1988	Percent Change
Nonag. Wage & Salary	29,044	28,230	-2.80%	27,847	-1.36%
Construction	1,146	1,053	-8.12%	1,030	-2.18%
Manufacturing	3,655	3,711	1.53%	3,720	0.24%
Food & Kindred Prod.	1,049	1,060	1.05%	1,071	1.04%
Lumber & Paper Prod.	2,402	2,450	2.00%	2,450	0.00%
All Other Mfg.	205	201	-1.95%	199	-1.00%
Trans. Comm. & Utilities	2,125	2,094	-1.46%	2,092	-0.10%
Trade	4,465	4,397	-1.52%	4,349	-1.09%
Wholesale	332	322	-3.01%	324	0.62%
Retail	4,132	4,075	-1.38%	4,025	-1.23%
Finance-Ins. & R.E.	1,187	1,174	-1.10%	1,163	-0.94%
Mining, Services & Misc.	4,500	4,447	-1.18%	4,447	0.00%
Government	11,968	11,354	-5.13%	11,046	-2.71%
Federal	2,098	2,075	-1.10%	2,050	-1.20%
State	5,420	4,979	-8.14%	4,746	-4.68%
Local	4,450	4,300	-3.37%	4,250	-1.16%

Asumptions

1. Oil Price will range between $15/18/barrel through forecast period.
2. Yen/$ exchange rate will remain favorable to forest products industry.
3. Green's Creek makes contribution to employment in 1988.
4. Quartz Hill does not make employment contribution.

cedented fiscal crisis, and employment and/or wage cuts in state and local government are occurring and will continue to occur. In Southeast Alaska, this means trouble for the region's economy. In 1986 more than one third of all nonagricultural employment and wages were in state and local government.

Aside from the economic effects that government spending and employment cuts have already had, conservative spending and saving patterns brought about by the uncertainty of the future of the economy are having a more profound effect in the secondary industries than is warranted by employment losses to date. For example, houses are placed on the market not because the owners need to sell but because they anticipate that house values will fall. Major purchases are put off because of the uncertainty of future employment and/or wage levels. Once the future course of the economy becomes more evident, the uncertainty factor will subside.

Assumptions

In any economic forecast assumptions are made which are the founda-

Labor Force By Region and Census Area

	Labor Force			Unemployment			Rate			Employment		
	P/ 2/87	R/ 1/87	2/86	P/ 2/87	R/ 1/87	2/86	P/ 2/87	R/ 1/87	2/86	P/ 2/87	R/ 1/87	2/86
Alaska Statewide	242,892	236,383	246,892	29,034	27,569	29,841	12.0	11.7	12.1	213,858	208,814	217,051
Anch.-MatSu Region	130,404	12,7814	134,124	13,009	12,288	13,242	10.0	9.6	9.9	117,395	115,526	120,882
Anchorage Borough	114,832	112,600	117,945	10,068	9,391	9,991	8.8	8.3	8.5	104,764	103,209	107,954
MatSu Borough	15,572	15,214	16,179	2,941	2,897	3,251	18.9	19.0	20.1	12,631	12,317	12,928
Gulf Coast Region	25,263	24,200	25,381	4,138	3,987	4,061	16.4	16.5	16.0	21,125	20,213	21,320
Kenai Peninsula Bor	15,748	15,043	15,730	3,144	2,983	3,009	20.0	19.8	19.1	12,604	12,060	12,721
Kodiak Island Bor	5,627	5,481	5,770	363	444	457	6.5	8.1	7.9	5,264	5,037	5,313
Valdez-Cordova	3,888	3,676	3,881	631	560	595	16.2	15.2	15.3	3,257	3,116	3,286
Interior Region	37,298	36,497	37,719	6,049	5,630	6,276	16.2	15.4	16.6	31,249	30,867	31,443
Fairbanks North Star Bor	32,076	31,441	32,498	4,943	4,640	5,196	15.4	14.8	16.0	27,133	26,801	27,302
Southeast Fairbanks	2,224	2,167	2,294	402	367	461	18.1	16.9	20.1	1,822	1,800	1,833
Yukon-Koyukuk	2,998	2,889	2,927	704	623	619	23.5	21.6	21.1	2,294	2,266	2,308
Northern Region	7,880	7,513	7,945	919	780	855	11.7	10.4	10.8	6,961	6,733	7,090
Nome	3,068	2,839	3,108	423	282	415	13.8	9.9	13.4	2,645	2,557	2,693
North Slope Borough ...	2,714	2,654	2,760	153	176	151	5.6	6.6	5.5	2,561	2,478	2,609

Southeast Region	31,330	30,237	31,254	3,927	4,010	4,353	12.5	13.3	13.9	27,403	26,227	26,901
Haines Borough	888	873	912	148	165	185	16.7	18.9	20.3	740	708	727
Juneau Borough	13,235	12,714	13,240	1,090	1091	1,319	8.2	8.6	10.0	12,145	11,623	11,921
Ketchikan Gateway Bor	6,232	6 082	6,362	712	799	943	11.4	13.1	14.8	5,520	5,283	5,419
Pr. of Wales-Outer Ketch	2,401	2,339	2,352	531	549	516	22.1	23.5	21.9	1,870	1,790	1,836
Sitka Borough	3,633	3,426	3,669	368	301	464	10.1	8.8	12.6	3,265	3,125	3,205
Skagway-Yakutat-Angoon	1,599	1,535	1,521	427	413	370	26.7	26.9	24.3	1,172	1,122	1,151
Wrangell-Petersburg	3,342	3,268	3,198	651	692	556	19.5	21.2	17.4	2,691	2,576	2,642
Southwest Region	10,717	10,122	10,469	992	874	1,054	9.3	8.6	10.1	9,725	9,248	9,415
Aleutian Islands	2,707	2,586	2,587	110	116	72	4.1	4.5	2.8	2,597	2,470	2,515
Bethel	4,243	4,014	4,229	384	344	493	9.1	8.6	11.7	3,859	3,670	3,736
Bristol Bay Borough	438	413	419	67	61	60	15.3	14.8	14.3	.371	352	359
Dillingham	1,950	1,813	1,874	230	178	209	11.8	9.8	11.2	1,720	1,635	1,665
Wade Hampton	1,379	1,296	1,360	201	175	220	14.6	13.5	16.2	1,178	1,121	1,140

P/ Preliminary R/ Revised 1986 Benchmark

Federal guidelines require the use of unrounded labor force data, adjusted to be consistent with the Current Population Survey (CPS) in formulas used to allocate federal funds. Comparisons between different time periods are not as meaningful as other time series published by the Alaska Department of Labor; because Alaska's CPS sample size is inadequate to accurately indicate monthly changes in level. The sampling errors are random in nature; meaning that the unemployment rates, in any given month, are as likely to be high as frequently as they are low. The official definitions of unemployment, currently in place, exclude anyone who has made no attempt to find work in the four week period up to and including the week that includes the twelfth of each month. Most economists feel that Alaska's rural localities have proportionately more of these discouraged workers.

tion upon which the forecast is built. When last years forecast was made one assumption was that the price of oil would not fall below $20 a barrel through the forecast period. Unfortunately, this was a faulty assumption and that forecast was outdated practically overnight. Such is the tenuous nature of forecasting. With that in mind the assumptions for the Southeast Alaska employment forecast follow.

Oil prices will not change during the forecast period sufficiently to dramatically affect the state's revenue picture. A price range of $15-18 per barrel was assumed. The yen/dollar exchange rate, which has swung dramatically in favor of Alaskan export goods such as forest and fish products will continue to remain favorable throughout the forecast period. Green's Creek mine, one major project on the horizon for the Southeast economy, will make an increasing contribution to employment. Quartz Hill, another major project for Southeast Alaska, will make no significant contribution to employment during the forecast period.

Construction

Southeast Alaska construction employment has fallen steadily since it hit an all-time high in 1983 of 2,017. In 1987 and 1988 construction employment will continue to fall but not at the precipitous rate of 31.2% that occurred in 1986. The 31.2% drop occurred on the heels of drops of 10% and 8% in 1984 and 1985.

Since 1975, construction employment has ranged between 3.8% and 7.0% of total employment in the region. Typically, construction employment has been 4% to 4.5% of total employment in an average year and 5% to 6.0% of total employment in an active year. Nineteen eighty-six was a relatively slow year in Southeast construction after five straight years of above average performance. The 3.9% share of total employment registered in 1986 was the lowest since 1979.

The outlook for the construction sector in the next two years is grim. Private residential and commercial construction have slowed dramatically compared to the last several years. State and local government construction will also decrease due to the lack of state funds.

The tremendous amount of work that was done in the early 1980s has created excess capacity, especially in residential and commercial buildings. Construction employment is forecast to fall 8% in 1987 and another 2% in 1988. These two years will be construction's lowest share of total employment since 1975, approximately 3.6% of total employment in both years.

Manufacturing

Southeast Alaska's manufacturing sector was the bright spot in the region's economy during 1986, in particular the rebound of Alaska's forest products industry. In 1986, the forest products industry increased employment by almost 20%. Most of the increase was in the logging and pulp mill sectors.

The rebound in the Southeast wood products industry is attributed to two factors. First, cost-cutting measures in the finished products sector (sawmills and pulp mills) were instituted to decrease costs of the final product. Second, the yen/dollar exchange rate has made Alaskan forest products much less expensive in their primary market of Japan. These two factors have led to a much more competitive forest products industry.

During 1987 a 2% growth in employment followed by a leveling off in 1988 is forecast for the forest products industry. The reason for the slowdown in employment growth is that the sawmills and pulp mills, which experienced closings on a regular basis every year since 1981, had no major shutdowns in 1986; therefore, if 1987 and 1988 hold to this pattern there should be no significant change in employment. The logging sector, however, is expected to experience some growth in 1987, accounting for most of the growth in the industry during the next two years.

The food and kindred products sector of manufacturing has been experiencing slow steady expansion during the past few years and this is expected to continue in 1987 and 1988 with growth of about 1% in both years. Southeast Alaska processors have been experimenting with fish products, which could provide them with some activity during the off-season; however, the lion's share of employment will continue to be tied to the success of the salmon catch. Assuming marginal success in the off-season products such as shellfish and bottomfish and continued good harvests in the salmon season, this industry looks stable throughout the forecast period.

Transportation, Communication and Utilities

The transportation industry in Southeast Alaska has four major sectors; air transport, water transport, communication and utilities, and other transportation. In 1986 three of the four sectors, communication and utilities being the exception, experienced slight employment growth. In 1987 the transportation industry is expected to lose slightly more than 1% of its employment and then level out in 1988.

Of the four sectors in this industry only water transportation is ex-

pected to exceed 1986's performance while the other three are expected to fall off slightly.

One reason for the success of this industry in 1986 was the tremendous increase in tourism related transportation during the summer months. If early indications are a barometer, 1987 does not look to repeat 1986's performance especially in regard to number of tour boat passengers.

In 1986 Southeast Alaska had two things going for it, the Expo in Vancouver B.C., and a fear of overseas travel due to terrorist incidents. Without these two stimulants the tourist traffic will probably drop off a little, although it will continue to make a solid contribution to the region's transportation industry.

In addition to the anticipated drop off in tourist related transportation, the portion of the transportation industry that caters to the local population is expected to decline also. The communications and utilities sector of the transportation industry began to lose employment in 1986 as the region's population began to drop off. This trend is expected to continue throughout the forecast period.

Government

The government sector will be the largest loser of employment during the next two years. By 1988 it is expected that there will be a loss of more than 900 jobs in the Southeast economy due to government cutbacks. Most of the losses in state and local government employment will occur in the third quarter of 1987 as state and local government budgets adjust to the state's current revenue picture. Employment losses that occur after the new state fiscal year begins in July 1987 will also carry over into 1988 employment totals.

While federal government spending, particularly military spending, will be a source of new employment for some parts of the state in the next several years, Southeast Alaska will not benefit from the additional spending.

The U.S. Coast Guard is scheduled to undergo a reorganization during the forecast period which will reduce civilian military employment in the region. The U.S. Forest Service, the largest federal agency in the region, will continue to cut back employment in the area. Overall, federal government employment is forecast to decline at a rate of slightly over 1% a year throughout the forecast period.

Secondary Industries

The secondary industries of trade; mining; services and miscellaneous; and finance, insurance, and real estate will perform slightly

better than the overall economy but they will still lose employment throughout the forecast period.

Mining, services and miscellaneous employment is expected to decline during 1987 as the services portion responds to lower wages and employment cuts in the basic industries of government and construction. In 1988 most of the employment losses in the services portion of mining, services and miscellaneous will be offset by employment gains at the Green's Creek mine.

Trade employment will be lost predominantly in the retail sector, especially establishments relying on higher disposable income levels to sustain a steady business. Eating and drinking establishments and car dealerships are examples of businesses that would be hurt by a lower level of disposable income.

Finance, insurance, and real estate employment is anticipated to follow the same trend as the other secondary industries, falling at a rate of slightly more than 1% per year. Financial institutions such as banks and credit unions that are already experiencing difficulty in the current economy will continue to do so during the next two years.

One sector of the finance-insurance and real estate industry which may buck the industry trend is Native corporations. Since many native corporations fortunes are linked to the success of natural resource industries such as timber and fishing, they may experience some employment growth if the manufacturing industry remains healthy during the next two years.

Alaska

By Ed Eboch

The revised January and February preliminary employment data suggests that the economy is improving from the deep downturn of 1986. Nonagricultural wage and salary employment is up over the month. The unemployment rate and the number of unemployed for February 1987 (center insert) is down from February 1986. Also, there is an air of optimism that OPEC will be able to maintain the $18 price for oil and that this higher price will somehow reverse the downturn.

The nonagricultural wage and salary employment numbers are not only up over the month but they are up from where they were at the end of 1986. In the first two months of 1986 there was an average of over 10,000 less jobs than the previous year. But in the first two months of 1987 the year-to-year losses are closer to 8,000 below the previous year.

One should not be misled by the apparent improvement. Alaska's economy seems to be drifting aimlessly, awaiting the outcome of budget decisions by the legislature and the governor. Once the state's budget is finalized and the programs and communities affected are identified, continued losses in employment can be expected.

Review of the Data

A comparison of November and December 1986 employment to the last two months of 1984 and of January and February 1987 employment to the first two months of 1985, shows that the economic outlook has not improved. The improved employment statistics are explained by the drop in the workforce as people leave Alaska or quit looking for jobs and by the timing of previous declines in employment.

The decline in employment began in earnest at the beginning of 1986. January and February 1986 was the first month that employment was not above the year-ago numbers in the 1980s. In January 1987 employment was the same as January 1985, but in February 1987 it was 1,500 below February 1985. The decline in the economy continues, albeit at a slower pace.

Over-the-year losses are widespread. Nearly every sector of every industry has suffered employment losses from the previous year. The exception is manufacturing, as the lumber and fish processing sectors are starting 1987 with impressive over-the-year gains. Unfortunately, these gains do not begin to offset employment losses in state and local government and they barely offset government losses in those

Nonagricultural Wage and Salary Employment
By Place of Work
Alaska

	p/ 2/87	r/ 1/87	2/86	Changes From: 1/87	Changes From: 2/86
Nonag. Wage & Salary	206,300	204,300	214,500	2,000	-8,200
Mining	8,300	8,200	9,900	100	-1,600
Construction	9,400	9,600	10,600	-200	-1,200
Manufacturing	9,200	8,000	8,700	1,200	500
Food & Kindred Prod.	4,000	3,200	3,700	800	300
Lumber & Paper Prod.	2,300	1,900	1,900	400	400
All Other Mfg.	2,900	2,900	3,100	0	-200
Trans. Comm. & Utilities	16,800	16,900	17,200	-100	-400
Trucking & Whseing.	1,900	2,000	2,100	-100	-200
Water Transportation	1,000	900	1,000	100	0
Air Transportation	5,100	5,300	5,200	-200	-100
Other Trans. Comm. & Utilities	8,800	8,700	8,900	100	-100
Trade	40,400	41,200	42,600	-800	-2,200
Wholesale	7,300	7,300	8,200	0	-900
Retail	33,100	33,900	34,400	-800	-1,300
Gen. Mer. & Apparel	4,900	5,100	4,900	-200	0
Food Stores	5,700	5,900	5,600	-200	100
Eating & Drinking Pl.	12,000	12,200	12,600	-200	-600
Other Retail Trade	10,500	10,700	11,300	-200	-800
Finance-Ins. & R.E.	12,200	12,200	12,500	0	-300
Services & Misc.	41,900	41,800	43,500	100	-1,600
Government	68,100	66,400	69,500	1,700	-1,400
Federal	18,300	18,400	17,500	-100	800
State	19,400	18,200	20,700	1,200	-1,300
Local	30,400	29,800	31,300	600	-900

Prepared in cooperation with the U.S. Bureau of Labor Statistics.

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date 1986.

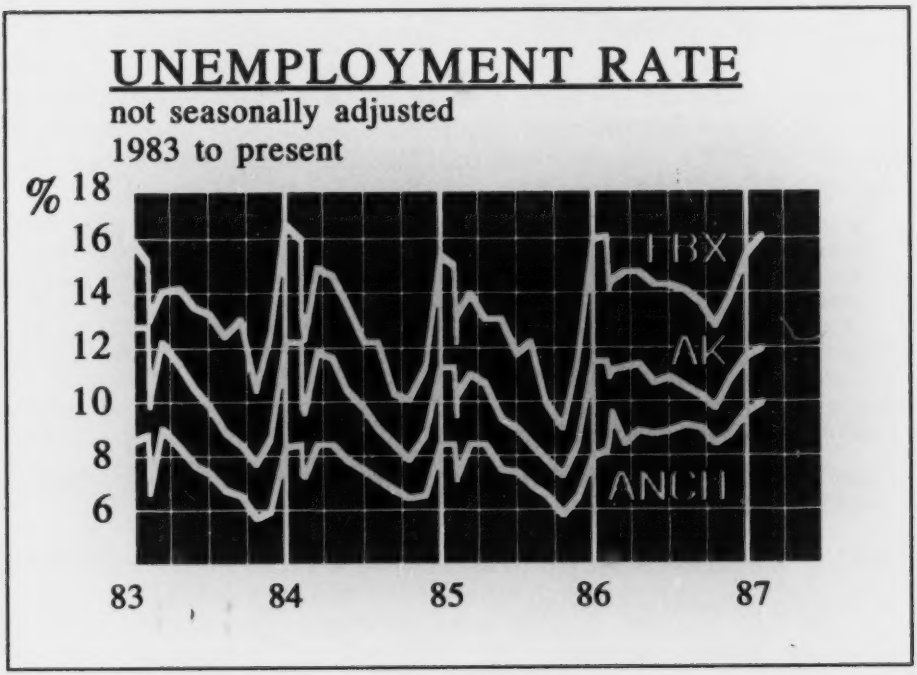
p/ Denotes preliminary estimates.

r/ Denotes Revised estimates.

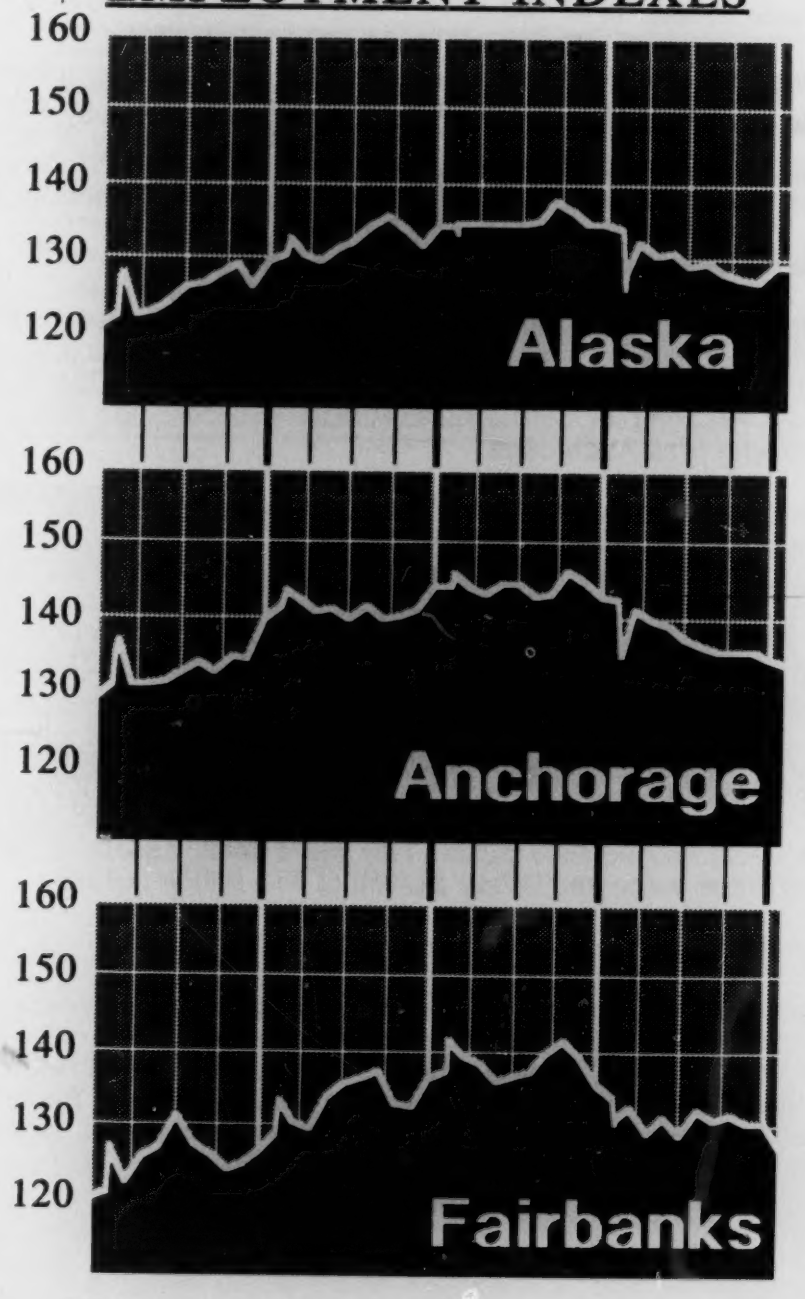
communities that directly benefit from timber and fish processing employment.

Even the improvement in hours worked (Hours and Earnings Table), usually a good indicator of employment trends, is misleading. Average hours worked is up over the year for mining and construction. This increase, however, is not accompanied by an increase in average hourly earnings nor is it evidence of an employment turn-around.

The combination of oil company and state and local government cuts in operating and capital budgets have now impacted nearly every area of the economy. In early 1986 the losses were restricted to construction and construction related firms. Now, year-to-year losses in employment are appearing in every sector of the economy as adjustments are made to the new economic realities.



COMPOSITE NONAG. EMPLOYMENT INDEXES



SEASONALLY ADJUSTED 1983 TO PRESENT

source: ak. dept. of labor

Anchorage/MatSu

By Greg Huff

Current Trends

For the fourteenth straight month, Anchorage employment was below the previous years level. February 1987 employment was 101,900, a decline of 6,500 jobs (-6%) compared to February 1986 levels. Federal government and food stores were the only industries showing year-to-year employment growth.

Federal Government

Federal government has been growing consistently, although at a moderate pace, for several years, except for a brief period after the Alaska Railroad was transferred to the state in 1985. The federal government employment levels in February represented 10% of total employment in Anchorage.

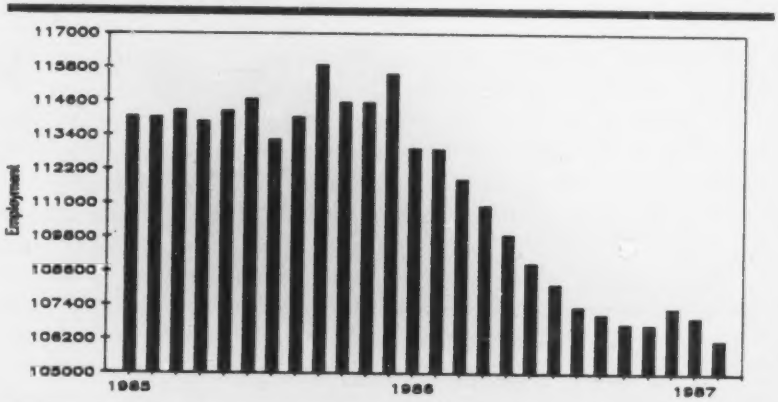
Federal government direct employment, however, understates the true impact of the federal government on the Anchorage economy. Nonagricultural wage and salary employment figures do not include uniformed military personnel. Including the uniformed military into the employment figures increases the federal government share of total employment to 17% (this figure includes some 10,800 uniformed military personnel).

Total payroll of the federal government, including the uniformed military in 1985 (most recent data available) was $540 million. If payments to Department of Defense retired personnel were included, that number would exceed $600 million. This was a healthy share of the total Anchorage wage and salary payroll of $3.1 billion in 1985.

Food Stores

Food store employment has been fluctuating above and below year-ago figures for the past 14 months. Food stores have yet to be hit as hard as other components of retail trade, many of which sell nonessential or discretionary items. Because the population in Anchorage has not declined as rapidly as employment and total payroll, food store employment has been fairly stable.

Figure 1
Anchorage Employment
Seasonally Adjusted



Conclusion

Declining employment is unusual for February. This in only the second time in 15 years that Anchorage employment has not improved in February. Year to year comparisons of monthly employment data can give us a clear picture of the overall trend in employment, but seasonally adjusted employment numbers can help explain the trends by removing the underlying seasonal and irregular movement in the data. Figure I indicates that the decline in Anchorage's employment from August 1986 through February 1987 was relatively stable compared to the patterns of the first 7 months of 1986. This pattern is likely to continue through the first half of 1987.

Nonagricultural Wage and Salary Employment
By Place of Work
Anchorage

	p/ 2/87	r/ 1/87	2/86	Changes From: 1/87	2/86
Nonag. Wage & Salary	101,900	102,200	108,400	-300	-6,500
Mining	3,250	3,100	4,150	150	-900
Construction	5,350	5,250	6,350	100	-1,000
Manufacturing	2,100	2,050	2,300	50	-200
Food & Kindred Prod.	400	350	400	50	0
Other Mfg.	1,700	1,700	1,900	0	-200
Trans. Comm. & Utilities	8,900	8,800	9,050	100	-150
Trucking & Whseing.	1,300	1,350	1,300	-50	0
Water Transportation	250	200	250	50	0
Air Transportation	2,950	2,900	2,950	50	0
Other Trans. Comm. & Utilities	4,400	4,350	4,550	50	-150
Trade	24,200	25,000	26,200	-800	-2,000
Wholesale	5,500	5,600	6,350	-100	-850
Retail	18700	19,400	19,850	-700	-1,150
Gen. Merchandise	1,800	1,950	1,800	-150	0
Food Stores	2,950	3,050	2,850	-100	100
Eating & Drinking Pl.	7,600	7,850	8,000	-250	-400
Other Retail Trade	6,350	6,550	7,200	-200	-850
Finance-Ins. & R.E.	7,900	8,000	8,350	-100	-450
Services & Misc.	23,900	24,000	25,200	-100	-1300
Government	26,300	26,000	26,800	300	-500
Federal	10,200	10,300	9,950	-100	250
State	7,100	6,650	7,550	450	-450
Local	9,000	9,050	9,300	-50	-300

Nonagricultural Wage and Salary Employment
By Place of Work
Anchorage-MatSu

	p/ 2/87	r/ 1/87	2/86	Changes From: 1/87	2/86
Nonag. Wage & Salary	108,450	108,750	115,250	-300	-6,800
Mining	3,250	3,100	4,150	150	-900
Construction	5,550	5,500	6,700	50	-1,150
Manufacturing	2,150	2,150	2,350	0	-200
Trans. Comm. & Utilities	9,600	9,500	9,700	100	-100
Trade	25,750	26,500	27,700	-750	-1,950
Finance-Ins. & R.E.	8,450	8,500	8,900	-50	-450
Services & Misc.	25,000	25,150	26,450	-150	-1,450
Government	28,700	28,350	29,300	350	-600

Fairbanks/Interior

By Neal Fried

Labor Force Figures Improving

Good news is a sparse commodity these days, but the Fairbanks' February unemployment rate improved for the second straight month, 15.4% compared to 16.0% in February 1986. This represents only a small improvement but the significance is that it fell. The improving unemployment rate could mean that the rate of employment losses has already peaked and losses are moderating.

Rejoicing should be postponed, however, because the improvement in the unemployment rate may not be an indication that the economy is on the mend but simply that an increasing number of the unemployed are leaving. This phenomenon has occurred during past economic declines in Fairbanks. No firm answer to this question will really be available until the spring and summer season gets underway.

Unlike the unemployment rate, February's wage and salary employment figures showed little improvement. Employment fell by 5% over the year and losses are evident in more industries. Presently five out of eight major industry categories are indicating losses in employment and the remaining three categories are relatively flat.

Losses are increasing in the support sector of the economy which includes trade, services, and finance, insurance, and real estate. It is not surpris,ing that losses are just now increasing in this sector. These industries tend to react slowly to an economic downturn.

Construction's employment numbers are still falling, but it appears the bulk of its losses took place in 1986. Though no major rebound is expected in the construction industry this year, military related activity will begin to breathe some new life into this industry later in the summer season.

Federal government employment in February is being buoyed by the expansion on the military installations, but state and local government continues to face losses. The February's trends in all three levels of government are expected to continue throughout the remainder of the year.

Nonagricultural Wage and Salary Employment
By Place of Work
Fairbanks

	p/ 2/87	r/ 1/87	2/86	Changes From: 1/87	2/86
Nonag. Wage & Salary	25,300	25,350	26,600	-50	-1,300
Mining	100	100	100	0	0
Construction	1,000	1,250	1,100	-250	-100
Manufacturing	550	550	550	0	0
Trans. Comm. & Utilities	2,500	2,550	2,500	-50	0
Trucking & Whseing	350	400	400	-50	-50
Air Transportation	900	900	900	0	0
Other Trans. Comm. & Utilities	1,250	1,250	1,200	0	50
Trade	5,150	5,250	5,500	-100	-350
Wholesale	850	850	900	0	-50
Retail	4,300	4,400	4,600	-100	-300
Gen. Mer. & Apparel	500	500	500	0	0
Food Stores	750	750	750	0	0
Other Retail Trade	3,050	3,150	3,350	-100	-300
Finance-Ins. & R.E.	1,000	1,000	1,050	0	-50
Services & Misc.	5,550	5,500	5,950	50	-400
Government	9,450	9,150	9,850	300	-400
Federal	2,900	2,850	2,750	50	150
State	3,900	3,600	4,200	300	-300
Local	2,650	2,700	2,900	-50	-250

Nonagricultural Wage and Salary Employment
By Place of Work
Interior

	p/ 2/87	r/ 1/87	2/86	Changes From: 1/87	2/86
Nonag. Wage & Salary	29,000	29,200	30,300	-200	-1,300
Mining	300	250	200	50	100
Construction	1,050	1,300	1,150	-250	-100
Manufacturing	550	550	550	0	0
Trans. Comm. & Utilities	2,850	2,900	2,800	-50	50
Trade	5,400	5,550	5,850	-150	-450
Finance-Ins. & R.E.	1,050	1,100	1,150	-50	-100
Services & Misc.	5,900	5,900	6,300	0	-400
Government	11,900	11,650	12,300	250	-400

Gulf Coast

By Neal Fried

Mixed Signals in the Gulf Coast

The labor force figures in February were mixed in the Gulf Coast region. In some areas of the region the February unemployment rate fell and in others it increased over the month. Year-ago comparisons were also mixed.

Kodiak

Kodiak's labor force numbers were the best in the region. Kodiak's February unemployment rate of 6.5% was the lowest in the region. Both their over-the-month and year-ago unemployment figures indicate improvement. This comes as no real surprise since Kodiak is one of the few areas of the state where employment is actually growing.

The bottomfish fishery has become a reality in Kodiak and has injected new life into the local economy. In past years the king crab fishery helped boost Kodiak's winter fishing season but since 1982, when the crab harvests collapsed, employment opportunities have been scarce during the winter. The bottomfish fishery has not fully replaced the employment lost by the decline in the king crab fishery but it is beginning to pick up some of the slack.

Presently there are a number of shore-based fish processors processing bottomfish, making Kodiak the busiest bottomfish port in the state. In the past when the salmon fishery began, fish processors would dismantle the bottomfish lines and replace them with salmon lines, but this year the demand for bottomfish is strong enough that a number of Kodiak fish processors will process both species simultaneously.

The Kenai Peninsula

The Kenai Peninsula's labor force figures were bleak in February. Little good can be said about an unemployment rate of 20.0%, the highest unemployment rate in the region and one of the highest unemployment rates in the state, slightly higher than January's figures and almost one point above year-ago levels. The unemployment picture will begin to improve in April, as the area's seasonal industries such as tourism, construction and fishing begin to get underway but no immediate over-the-year improvements are expected soon.

Nonagricultural Wage and Salary Employment
By Place of Work
Gulf Coast

			Changes From:		
	p/ 2/87	r/ 1/87	2/86	1/87	2/86
Nonag. Wage & Salary	17,950	17,400	18,500	550	-550
Mining	850	850	1,050	0	-200
Construction	800	800	1,050	0	-250
Manufacturing	2,350	1,850	2,150	500	200
Food & Kindred Prod.	1,800	1,300	1,550	500	250
All Other Mfg.	550	550	600	0	-50
Trans. Comm. & Utilities	1,350	1,350	1,550	0	-200
Trade	3,100	3,300	3,150	-200	-50
Wholesale	450	500	450	-50	0
Retail	2,650	2,800	2,700	-150	-50
Finance-Ins. & R.E.	650	650	650	0	0
Services & Misc.	3,150	3,050	3,150	100	0
Government	5,700	5,550	5,750	150	-50
Federal	600	600	550	0	50
State	1,500	1,400	1,550	100	-50
Local	3,600	3,550	3,650	50	-50

Valdez-Cordova

Valdez-Cordova's unemployment rate of 16.2% probably represents the peak unemployment rate for the year and should begin to drop next month. Unless serious activity gets underway on the proposed refinery in Valdez, this area's employment picture will have little chance to improve over last year.

Southeast Alaska

By John Boucher

Current Events

In February the Southeast Alaska unemployment rate dropped eight-tenths of one percentage point to 12.5%. Nearly every census areas within Southeast Alaska had a lower unemployment rate in February than in January, the exception being Sitka.

Southeast Alaska continues to be a region characterized by extremes in unemployment. Three of the five highest areas of unemployment in the state are located in Southeast Alaska; the Skagway-Yakutat-Angoon census area (26.7% unemployed), Prince of Wales-Outer Ketchikan census area (22.1% unemployed), and the Wrangell-Petersburg census area (19.5% unemployed). On the other hand, the three largest labor markets in the region—Juneau, Ketchikan, and Sitka—all had unemployment rates below the statewide average. (See center insert for further details.)

Nonagricultural Wage and Salary Employment
By Place of Work
Southeast Alaska

	p/ 2/87	r/ 1/87	2/86	Changes From: 1/87	2/86
Nonag. Wage & Salary	26,000	25,300	26,450	700	-450
Construction	750	750	800	0	-50
Manufacturing	2,750	2,150	2,350	600	400
Food & Kindred Prod.	450	250	400	200	50
Lumber & Paper Prod.	2,100	1,700	1,750	400	350
All Other Mfg.	200	200	200	0	0
Trans. Comm. & Utilities	1,850	1,850	1,750	0	100
Trade	4,000	4,050	4,050	-50	-50
Wholesale	300	300	300	0	0
Retail	3,700	3,750	3,750	-50	-50
Finance-Ins. & R.E.	1,100	1,100	1,100	0	0
Mining, Services & Misc.	4,100	4,150	4,250	-50	-150
Government	11,450	11,250	12,150	200	-700
Federal	1,950	1,950	2,000	0	-50
State	5,150	5,050	5,550	100	-400
Local	4,350	4,250	4,600	100	-250

Hours and Earnings

By John Boucher

February Manufacturing Hours & Earnings

The manufacturing industries average weekly hours and average hourly earnings made some dramatic changes in the month of February. Food and kindred products weekly hours increased by more than ten hours per week as processors on the Gulf Coast and in the Southwest part of Alaska processed crab and bottomfish. The increase in hours was accompanied by a dramatic decrease in the hourly wage as lower paid short-term help was hired.

In the lumber and paper products industry there was also a dramatic increase in hours worked as a sawmill reopened after a temporary shutdown and some logging camps opened after a brief closure for the holidays.

Alaska Hours and Earnings for Selected Industries 1/ 2/

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	P/ 2/87	R/ 1/87	2/86	P/ 2/87	R/ 1/87	2/86	P/ 2/87	R/ 1/87	2/86
Mining	1,244.43	1,278.29	1,173.98	54.2	53.8	51.4	22.96	23.76	22.84
Construction	934.80	934.65	908.12	41.0	40.2	39.9	22.80	23.25	22.76
Manufacturing	464.11	427.70	499.70	39.6	32.9	41.4	11.72	13.00	12.07
Food & Kindred Prod	256.81	229.23	305.24	37.6	27.0	41.7	6.83	8.49	7.32
Lumber & Paper Prod	646.20	537.04	638.23	44.2	37.9	44.6	14.62	14.17	14.31
Trans., Comm. & Utilities	538.67	547.15	563.14	33.9	33.9	37.0	15.89	16.14	15.22
Trade	387.78	378.48	387.11	33.2	33.2	33.4	11.68	11.40	11.59
Wholesale	577.85	543.54	528.83	36.9	36.9	38.1	15.66	14.73	13.88
Retail	322.56	323.20	331.69	32.0	32.0	31.5	10.08	10.10	10.53
Finance-Ins. & R.E	417.38	397.32	396.72	34.1	33.0	34.8	12.24	12.04	11.40

Benchmark 1986

1/ Prepared in cooperation with the Bureau of Labor Statistics U.S. Department of Labor

2/ excludes eating and drinking establishments

AVERAGE HOURS AND EARNINGS SERIES: Averages are based on data for full and part time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing) and are for gross earnings and hours paid, including overtime pay and hours.